

March 28, 2002

Before the
Federal Communications FCC
Washington, D.C.

In the matter of:

Schools and Libraries Universal Service Support Mechanism
CC Docket No. 02-06

Comments on Notice of Proposed Rule Making

Comments:

1.) Post Discount Process: “Should applicants have the final decision whether to choose discounts or reimbursement?”

I feel very strongly that the applicant SHOULD be able to decide which of these two approaches will apply, and given the choice I have no doubt which approach would be chosen by the vast majority of applicants – that being “discounts.”

The BEAR process is an additional burden for the applicant. It is a burden that I do not believe any applicant would choose. And finally it is a burden that can be avoided by simply having the vendor discount the service when billed. In my experience however, most vendors will not willingly do this. I suspect this is due to the “free use” of the applicant’s money pending:

- 1.) the filing of BEAR forms,
- 2.) the subsequent release of E-rate funds to the vendor and
- 3.) finally the receipt of the vendor’s check by the applicant.

If the applicant files BEAR forms quarterly, the vendor in all likelihood has the use of the applicant’s money for up to five months. Less frequent filings result in even lengthier “interest free loans” to what are usually very large corporations where such funds may easily total tens of millions of dollars.

Beyond providing “interest free” loans to vendors, there are at least two other reasons why “discounting” is preferable. First there is the matter of cash flow. Schools and libraries are not generally wealthy institutions. Every dollar is accounted for within every annual budget. Tying up significant sums while awaiting reimbursement creates a fiscal nightmare. This is even further exacerbated by reimbursements arriving in one budget year that were generated by communications services billed and paid for within the previous year’s budget.

Secondly, the receipt of reimbursement funds can create a problem or at least a complication of varying annoyance for the applicant during the yearly local audit process. Oversight agencies, funding bodies, etc. can have difficulties in categorizing E-rate funds. (Is it income? Is it a grant?) This in turn – at least in the case of Pennsylvania libraries – can even impact state aid eligibility. Discounted services provide no such difficulty.

Respectfully submitted,

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